

Message Text

LIMITED OFFICIAL USE

PAGE 01 HELSIN 01978 211529Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SIL-01 PA-01 PRS-01 USIA-06 /040 W

----- 120163

P R 211444Z SEP 76

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC PRIORITY 0496

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE HELSINKI 1978

EO 11652: N/A

TAGS: ELAB, PINT, FI

SUBJECT: REVIEW OF INCOMES POLICY AGREEMENT

REF: HELSINKI 0210

1. SUMMARY: THE REVIEW OF LAST JANUARY'S ONE-YEAR INCOMES POLICY AGREEMENT WHICH WAS CALLED FOR BY THE TERMS OF THE AGREEMENT (REFTEL) WILL TAKE PLACE IN THE LAST WEEK OF SEPTEMBER. PRIOR TO THE FALL OF THE MIETTUNEN GOVERNMENT SEPTEMBER 17 THE REVIEW WAS SHAPING UP AS LITTLE MORE THAN A CHANCE FOR THE PARTIES CONCERNED TO EXPRESS THEIR VARYING VIEWS ON THE STATE OF THE ECONOMY BEFORE THE NEXT ROUND OF DISCUSSIONS ON A NEW AGREEMENT. NOW, WITH THE POLITICAL SITUATION UNCERTAIN, THE REVIEW WOULD SET THE STAGE FOR LABOR MARKET CONFRONTATION. END SUMMARY.

2. THE REVIEW CLAUSE INTRODUCED LAST JANUARY INTO THE AGREEMENT BY PRIMIN MIETTUNEN AS A COMPROMISE IS PURPOSELY VAGUE, CALLING FOR AN EXAMINATION OF PRICE DEVELOPMENTS DURING THE AGREEMENT PERIOD BUT MAKING NO MENTION OF WAGES. ALTHOUGH THE EXAMINATION PROCESS IS COMMONLY DESCRIBED AS NEGOTIATION, THERE IS NO LEGAL BASIS FOR REOPENING THE WAGE QUESTION DURING THE LIFE OF THE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HELSIN 01978 211529Z

AGREEMENT. HOWEVER, SOME LABOR SPOKESMEN HAVE CLAIMED

THAT THE PROJECTED 11 PERCENT PRICE RISE (CONTAINED WITH THE 5 PERCENT TARGET AT THE OUTSET OF THE AGREEMENT) REQUIRES A WAGE ADJUSTMENT, AND IT APPEARS THAT THE COMMUNISTS IN PARTICULAR MAY DECIDE TO MAKE A POLITICAL ISSUE OF IMMEDIATE COMPENSATION FOR INFLATION.

3. DESPITE THE EMPHASIS ON PRICE INCREASES, THERE IS A GOOD CASE THAT ACTUAL WAGE INCREASES AND WAGE DRIFT TO DATE HAVE EQUALED OR EXCEEDED THE PRICE RISE. EMPLOYER FEDERATION (STK) FIGURES SHOWN TO THE EMBASSY MAKE THIS POINT AND ALSO DEMONSTRATE A SIGNIFICANT DROP IN PRODUCTIVITY IN RELATION TO WAGE COSTS AND A RESULTANT DECLINE IN THE FINNISH COMPETITIVE POSITION WITH OTHER EXPORTING COUNTRIES. THE POINT CONCERNING EXPORT COMPETITIVENESS HAS BEEN WELL TAKEN BY THE MAJOR LABOR CONFEDERATION (SAK), WHOSE SOCIAL DEMOCRATIC LEADERS HAVE NOTED IT PUBLICLY, WHILE CONCEDING TO US IN PRIVATE THAT WAGE INCREASES ARE NOT WARRANTED BEFORE THE EXPIRATION OF THE CURRENT AGREEMENT. SOCIAL DEMOCRATIC PARTY SECRETARY SUNDQVIST HAS BEEN MORE EXPLICIT, TELLING EMBASSY THAT CURBING INFLATION IS THE COUNTRY'S NUMBER ONE PRIORITY FOLLOWED BY FULL EMPLOYMENT-- GIVING LITTLE SUPPORT TO WAGE INCREASES, WHICH HE SAID HAVE EXCEEDED THE GUIDELINES OF THE AGREEMENT.

4. THE SOCIAL DEMOCRATIC LINE WAS SPELLED OUT IN A SEPTEMBER 16 ARTICLE IN PARTY PAPER DEMARI SHORTLY AFTER RELEASE OF THE AUGUST CONSUMER PRICE INDEX, WHICH WAS LESS INFLATIONARY THAN HAD BEEN FEARED FOLLOWING THE END OF PRICE CONTROLS IN JULY. UNDER THE HEADLINE "AVERAGE REAL INCOME LEVEL REMAINS UNCHANGED," THE FRONT-PAGE STORY SAID THAT SOON-TO-BE-PUBLISHED REPORTS OF THE GOVERNMENT-APPOINTED INCOME POLICY REVIEW COMMITTEE AND THE STK-SAK WORKING GROUP SHOW THAT EARNINGS OF INDUSTRIAL WORKERS WILL INCREASE BY 11 TO 12 PERCENT DURING THE AGREEMENT PERIOD, WITH EVEN HIGHER INCREASES IN OTHER SECTORS. THE BRIEF ARTICLE ADDED THAT DESPITE THE SLOWING-DOWN OF INFLATION FINLAND'S EXPORT COMPETITIVENESS HAS WEAKENED AND THAT THE EMPLOYMENT SITUATION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 HELSIN 01978 211529Z

DEPENDS EXTENSIVELY ON THE DEVELOPMENT OF EXPORTS.

5. THE COMMUNISTS DISSENT FROM THIS VIEW THAT NOW IS A TIME FOR RESTRAINT IN WAGE DEMANDS, AND WITH THE END OF SOCIAL DEMOCRAT-COMMUNIST COOPERATION IN GOVERNMENT THERE APPEARS LITTLE PROSPECT FOR CONTINUATION OF THE UNITED SAK POSITION WHICH CHARACTERIZED THE JANUARY AGREEMENT. THE DEPARTURE FROM THE SCENE OF THE GOVERNMENT AND

PRIME MINISTER RESPONSIBLE FOR THE CURRENT AGREEMENT HAS ALSO REMOVED A KEY FACTOR FOR HARMONY AMONG LABOR MARKET FORCES. WITH THE FORMATION OF A NEW GOVERNMENT STILL IN DOUBT AND MUNICIPAL ELECTION CAMPAIGNS UNDERWAY, THE REVIEW PRESENTS AN OPPORTUNITY FOR THE COMMUNISTS TO ENGAGE IN POLICICALLY-MOTIVATED STRIKES AND OTHER ACTIVITIES IN APPEAL FOR WORKER SUPPORT. SOCIAL DEMOCRATS WITHIN THE LABOR MOVEMENT MAY FEEL COMPELLED TO MAKE SOME CONCESSIONS TO COMMUNIST DEMANDS IN ORDER TO MAINTAIN THEIR OWN SUPPORT. AT ANY RATE, THE REVIEW WILL QUITE LIKELY BE INCONCLUSIVE, EMPHASIZING RATHER THAN RESOLVING LABOR-MANAGEMENT DIFFERENCES AS THE NEW BARGAINING ROUND APPROACHES LATER IN THE YEAR.

AUSTAD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, WAGES, AGREEMENTS, ECONOMIC PROGRAMS, LABOR OBJECTIVES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976HELSIN01978
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760356-0646
From: HELSINKI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760938/aaaabgis.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 HELSINKI 210
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 14 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 APR 2004 by ElyME>; APPROVED <09 AUG 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF INCOMES POLICY AGREEMENT
TAGS: ELAB, PINT, FI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006